

RENEWABLE RESOURCE SYSTEM PROPERTY VALUATION EXEMPTION



Any questions, contact your local Director of Equalization or the Department of Revenue (773-6559)

What type of systems qualify for this exemption?

Any of the following that are used to produce electricity or energy:

- Wind
- Solar
- Biomass
- Hydrogen
- Hydroelectric
- Geothermal
- Must be less than five (5) megawatts of nameplate capacity



How does the exemption work?

The exemption is seventy percent (70%) of the assessed value of the renewable resource system, or fifty thousand dollars (\$50,000), whichever is greater.

The Director of Equalization must still assess the entire property before the exemption is applied. The valuation of the renewable system is to be determined through acceptable appraisal processes and in the same manner as other property.

Renewable Systems do not qualify for Discretionary Formula

The exemption is then applied to the assessed value of the renewable resource system only.

How long does the exemption last?

The exemption is a continuous exemption for all systems except geothermal.

Residential geothermal energy is limited to the first four continuous years. Commercial geothermal facilities receive the exemption for the first three continuous years.

How can I apply for the program?

There is no application needed. Just contact your local Director of Equalization to start the process.

Examples of Exemption:

<p><u>Assessed Value</u></p> <table> <tr> <td>House</td> <td style="text-align: right;">150,000</td> </tr> <tr> <td>Renewable System</td> <td style="text-align: right;"><u>85,000</u></td> </tr> <tr> <td>Total Assessed Value</td> <td style="text-align: right;">235,000</td> </tr> </table> <p><u>Calculation of Exemption</u></p> <p>85,000 X 70% = 59,500 (This is greater than \$50,000 so the exemption received is 59,500)</p> <p><u>Value after Exemption</u></p> <table> <tr> <td>House</td> <td style="text-align: right;">150,000</td> </tr> <tr> <td>Renewable System</td> <td style="text-align: right;">25,500</td> </tr> <tr> <td colspan="2"><u>(85,000 assessed minus 59,500 exemption)</u></td> </tr> <tr> <td>Total After Exemption</td> <td style="text-align: right;">175,500</td> </tr> </table>	House	150,000	Renewable System	<u>85,000</u>	Total Assessed Value	235,000	House	150,000	Renewable System	25,500	<u>(85,000 assessed minus 59,500 exemption)</u>		Total After Exemption	175,500	<p><u>Assessed Value</u></p> <table> <tr> <td>Commercial Structure</td> <td style="text-align: right;">2,500,000</td> </tr> <tr> <td>Renewable System</td> <td style="text-align: right;"><u>280,000</u></td> </tr> <tr> <td>Total Assessed Value</td> <td style="text-align: right;">2,780,000</td> </tr> </table> <p><u>Calculation of Exemption</u></p> <p>280,000 X 70% = 196,000 (This is greater than 50,000 so the exemption received is \$196,000)</p> <p><u>Value after Exemption</u></p> <table> <tr> <td>Commercial Structure</td> <td style="text-align: right;">2,500,000</td> </tr> <tr> <td>Renewable System</td> <td style="text-align: right;">84,000</td> </tr> <tr> <td colspan="2"><u>(280,000 assessed minus 196,000 exemption)</u></td> </tr> <tr> <td>Total After Exemption</td> <td style="text-align: right;">2,584,000</td> </tr> </table>	Commercial Structure	2,500,000	Renewable System	<u>280,000</u>	Total Assessed Value	2,780,000	Commercial Structure	2,500,000	Renewable System	84,000	<u>(280,000 assessed minus 196,000 exemption)</u>		Total After Exemption	2,584,000
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South Dakota Codified Law

- 10-4-42 Renewable resource defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable resource is a resource that generates electricity or energy from facilities using one or more of the following sources:
- (1) Wind that uses wind as the source of energy to produce electricity;
 - (2) Solar that uses the sun as the source of energy to produce electricity or energy;
 - (3) Hydroelectric that uses water as the source of energy to produce electricity;
 - (4) Hydrogen that is generated from one of the sources listed in this section;
 - (5) Biomass that uses agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, animal and other degradable organic wastes, municipal solid waste, or landfill gas as the fuel to produce electricity; or
 - (6) Geothermal that uses energy contained in heat that continuously flows outward from the earth as the source of energy to produce electricity or energy.
- 10-4-43. Renewable energy facility defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable energy facility is a facility that uses a renewable resource as its energy source for the purpose of producing electricity or energy.
- 10-4-44. Renewable energy facilities with less than five megawatts of nameplate capacity classified--Property taxable--Exemption.** For renewable energy facilities with less than five megawatts of nameplate capacity, all real property used or constructed for the purpose of producing electricity using a renewable resource as an energy source is classified for tax purposes as renewable energy property and shall be assessed and taxed in the same manner as other real property and shall be locally assessed by the county director of equalization pursuant to § 10-3-16. For the purposes of §§ 10-4-42 to 10-4-45, inclusive, the first fifty thousand dollars of the assessed value of the renewable energy property or seventy percent of the assessed value of the renewable energy property, whichever is greater, is exempt from the real property tax. However, for geothermal renewable energy facilities that produce energy, but not electricity, this exemption is limited to the first four continuous years for residential geothermal renewable energy facilities and the first three continuous years for commercial geothermal renewable energy facilities.
- 10-4-45. Renewable energy property not subject to discretionary formulas.** Renewable energy property is not subject to any discretionary formulas authorized by this title.